Alabama Department of Revenue

NOTICE

Tax Guidance for Contractors, Subcontractors and Alabama Governmental Entities Regarding Construction-related Contracts

Legislative Act 2013-205 requires the Department of Revenue to issue Form STC-1, Sales and Use Tax Certificate of Exemption for Government Entity Projects, to all contractors and subcontractors working on qualifying governmental entity projects once the Form ST: EXC-01 is approved.

Each exempt entity, contractor and subcontractor must make application for qualification of the exemption using Form ST: EXC-01 for each tax-exempt project. The application is available on the department’s website at http://revenue.alabama.gov/salestatx/ST-EXC-01.pdf. Applications should be submitted directly to the Sales and Use Tax Division Central Office, P.O Box 327710, Montgomery, AL 36132-7710.

The sales and use tax exemption provided for in Act 2013-205 applies to the purchase of building materials, construction materials and supplies, and other tangible personal property that become part of the structure pursuant to a qualifying contract entered into on or after January 1, 2014. Qualifying projects and contracts are those generally entered into with the following governmental entities, unless otherwise noted: the State of Alabama, a county or incorporated municipality of Alabama, an Alabama public school, or an Alabama industrial or economic development board or authority already exempt from sales and use taxes. Please note that contracts entered into with the federal government and contracts pertaining to highway, road, or bridge construction or repair do not qualify for the exemption provided for in Act 2013-205. [Reference: Sales and Use Tax Division Administrative Rule 810-6-3-.77 Exemption for Certain Purchases by Contractors and Subcontractors in Conjunction with Construction Contracts with Certain Governmental Entities.]

The Alabama Department of Revenue will assign each contractor and sub-contractor a consumers use tax account, if one is currently not in place, at the time the Form STC-1, Sales and Use Tax Certificate of Exemption for Government Entity Projects, is issued.

Contractors and sub-contractors for qualifying projects will be required to file monthly consumers use tax returns and report all exempt purchases for ongoing projects, as well as all taxable purchases on one return. These returns are required to be filed through the department’s online tax return filing and payment portal, My Alabama Taxes (https://myalabamataxes.alabama.gov).

As another option for these types of contracts, as well as with other contracts entered into with other types of exempt entities, the Form ST:PAAI1, Purchasing Agent Appointment, may be used. However, please be advised that the use of the Form ST:PAAI1 option will require the exempt entity to be invoiced directly and pay for directly from their funds any construction and building material and supply purchases.

For additional information concerning this guidance, taxpayers should contact Sales and Use Tax Division representative Thomas Sims at 334-242-1574 or by email at Thomas.Sims@revenue.alabama.gov.

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